

**BARAGA AREA SCHOOLS
BARAGA, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, Michigan 49908

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baraga Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Baraga Area School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Baraga Area Schools, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the Baraga Area School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Baraga Area Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baraga Area School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Baraga Area Schools. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 29, 2008

Baraga Area Schools

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Baraga Area Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Baraga Area Schools as a whole were reported at \$900,890, comprised of 100% governmental activities.
- During the year, the Baraga Area Schools expenses were \$6,152,656, while revenues from all sources totaled \$6,187,650, resulting in an increase in net assets of \$34,994.
- The general fund reported an increase of \$233,622 before other financing sources (uses). This is \$105,278 or 82% higher than the forecasted increase of \$128,344. This was a result of revenues being \$15,186 higher and expenses being \$90,092 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$5,386,715 and budgeted expenditures of \$5,153,093.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Baraga Area Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Baraga Area Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Table 1		
Net Assets		
	Governmental Activities – 2008	Governmental Activities – 2007
Current and other assets	\$ 2,749,918	\$ 2,501,832
Capital assets, net	3,607,431	3,460,617
Total Assets	6,357,349	5,962,449
Current liabilities	762,630	703,275
Long-term liabilities	4,693,829	4,393,278
Total Liabilities	5,456,459	5,096,553
Net Assets:		
Invested in capital assets, net of related debt	(1,022,911)	(846,345)
Restricted	91,893	31,738
Unrestricted	1,831,908	1,680,503
Total Net Assets	\$ 900,890	\$ 865,896

Management's Discussion and Analysis (Unaudited) (Continued)

The School District's net assets were \$900,890 at June 30, 2008. Capital assets, net of related debt totaling \$(1,022,911), compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter approved

property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$1,831,908 was unrestricted.

The \$1,831,908 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

Table 2
Change in Net Assets

	Governmental Activities – 2008	Governmental Activities – 2007
Revenues		
Program revenues:		
Charges for services	\$ 137,575	\$ 147,234
Operating grants and contributions	1,735,691	1,345,278
Capital grants and contributions	119,210	2,869
General revenues:		
Property taxes	919,088	895,751
State sources not restricted to specific program	3,197,503	3,226,881
Investment earnings	46,399	70,894
Miscellaneous	32,184	124,560
Total Revenues	<u>6,187,650</u>	<u>5,813,467</u>
Program Expenses:		
Instruction	3,259,012	3,110,773
Supporting services	1,925,454	1,889,323
Payments to other governmental agencies	9,618	3,250
Facilities acquisitions	1,835	50,878
Food service activities	227,251	236,027
Athletic activities	117,875	115,999
Bookstore activities	99	229
Interest on retirement of debt	369,449	540,220
Depreciation – unallocated	242,063	234,258
Total Expenses	<u>6,152,656</u>	<u>6,180,957</u>
Increase (decrease) in net assets	34,994	(367,490)
Net assets, beginning	865,896	1,233,386
Net Assets, Ending	<u>\$ 900,890</u>	<u>\$ 865,896</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$6,152,656. Certain activities were partially funded from those who benefited from the programs \$137,575 or by other governments and organizations that subsidized certain programs with grants and contributions \$1,854,901. We paid for the remaining "public benefit" portion of our governmental activities with \$919,088 in taxes, \$3,197,503 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

Management's Discussion and Analysis (Unaudited) (Continued)

The School District experienced an increase in net assets for the year of \$34,994.

Key reasons for the change in net assets were as follows:

- Net increase in governmental fund balances of \$238,385.
- Depreciation charged to expense of (\$242,063).
- Purchase of capital assets in the amount of \$388,877.
- Proceeds from debt issues in the amount of (\$559,652)
- Payments of principal on debt of \$236,272.
- Change in compensated absences \$(26,825).

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
Instruction	\$ 3,259,012	\$ 1,636,835
Supporting services	1,925,454	1,807,422
Interest on retirement of debt	369,449	369,449
Food service activities	227,251	(1,747)
Depreciation - Unallocated	242,063	242,063

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$2,108,213, an increase of \$238,385 from the beginning of the year.

This was due to the following:

1. Higher than expected number of retiring employees resulting in a larger than planned payoff to retirees.
2. Less State Aid revenue than initially projected.
3. A \$100,000 plus deduction in State Aid due to a recapture of Downtown Development Authority payments made the previous fiscal year.
4. Expenses planned for but not budgeted for by the outgoing administration.

Management's Discussion and Analysis (Unaudited) (Continued)

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

Budgeted revenues were increased by \$717,935. This was due to the following:

1. Larger than expected Impact Aid revenues.
2. Unexpected Delinquent Tax revenues.

Budgeted expenditures were increased by \$101,034. This was due to the following:

1. Higher than normal and unexpected substitute costs.
2. Unexpected retirement incentive payoffs.

Reasons for variances between the final budget and final actual amounts were as follows;

Revenues were \$15,186 higher than budgeted. This was due to the following:

1. Unexpected delinquent tax collection.
2. Unanticipated revenues from a donation made by the KBIC Tribal Council.

Expenditures were \$90,092 lower than budgeted. This was due to the following:

1. Conservative efforts were used to minimize expenses right up to the last day of the fiscal year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the School District had \$3,607,431 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

Table 4
Capital Assets at Year End
(Net of Depreciation)

	2008	2007
Land	\$ 700	\$ 700
Site improvements	717,049	755,682
Buildings	2,704,948	2,437,340
Equipment	121,242	182,655
Vehicles and buses	63,492	84,240
Construction-in-progress	-	-
Totals	<u>\$ 3,607,431</u>	<u>\$ 3,460,617</u>

We anticipate capital additions for the 2008-2009 fiscal year will be comparable to the 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Management's Discussion and Analysis (Unaudited) (Continued)

Debt

At the end of this year, the School District had \$4,630,342 in bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year End

	Governmental Activities – 2008	Governmental Activities – 2007
General obligation bonds	\$ 120,925	\$ 174,799
State Bond Loan Program	4,509,417	4,132,163
Totals	<u>\$ 4,630,342</u>	<u>\$ 4,306,962</u>

There were new additions of long-term debt this year, in the amount of \$375,000, in addition to payment of old debt through the State Bond Loan Program which amounted to \$184,652. We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008-2009 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2008-2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2007. Approximately 75 to 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2007-2008 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Baraga Area Schools, 210 Lyons Street, Baraga, Michigan, 49908.

Baraga Area Schools

Statement of Net Assets

June 30, 2008

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 796,247
Investments	1,020,323
Receivables:	
Accounts receivable	47,600
Delinquent property taxes	62,735
Due from other governmental units	713,715
Inventories	31,046
Prepaid expense	78,252
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TOTAL CURRENT ASSETS	2,749,918
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Non-current assets:	
Land and construction in progress	700
Capital assets	7,603,741
Less accumulated depreciation	(3,997,010)
	<hr/>
TOTAL NON-CURRENT ASSETS	3,607,431
	<hr/>
TOTAL ASSETS	6,357,349
	<hr/>
LIABILITIES:	
Current liabilities:	
Accounts payable	87,218
Accrued liabilities	466,201
Deferred revenue	88,286
Current portion of long term debt obligations	120,925
	<hr/>
TOTAL CURRENT LIABILITIES	762,630
	<hr/>
Non-current liabilities:	
Non-current portion of employee benefit obligations	184,412
Non-current portion of long term debt obligations	4,509,417
	<hr/>
TOTAL NON-CURRENT LIABILITIES	4,693,829
	<hr/>
TOTAL LIABILITIES	5,456,459
	<hr/>
NET ASSETS:	
Invested in capital assets net of related debt	(1,022,911)
Restricted:	
Debt Service	91,893
Unrestricted	1,831,908
	<hr/>
TOTAL NET ASSETS	\$ 900,890
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The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Statement of Activities

For the Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 3,259,012	\$ -	\$ 1,622,177	\$ -	\$ (1,636,835)
Supporting services	1,925,454	-	-	118,032	(1,807,422)
Payments to other governmental agencies	9,618	-	-	-	(9,618)
Facilities acquisitions	1,835	-	-	1,178	(657)
Food service activities	227,251	120,235	108,763	-	1,747
Athletic activities	117,875	17,255	-	-	(100,620)
Bookstore activities	99	85	-	-	(14)
Interest on retirement of debt	369,449	-	-	-	(369,449)
Depreciation - unallocated	242,063	-	-	-	(242,063)
TOTAL GOVERNMENTAL ACTIVITIES	6,152,656	137,575	1,730,940	119,210	(4,164,931)
General revenues and transfers:					
Taxes:					
Property taxes, levied for general purposes					491,256
Property taxes, levied for debt services					432,583
Federal and State aid not restricted to specific purposes:					
General					3,197,503
Interest and investment earnings					46,399
Miscellaneous					32,184
Transfers					-
TOTAL GENERAL REVENUE AND TRANSFERS					4,199,925
CHANGES IN NET ASSETS					34,994
Net Assets , July 1					865,896
NET ASSETS, JUNE 30					\$ 900,890

The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Governmental Funds

Balance Sheet

June 30, 2008

	General Fund	Non-Major Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 591,708	\$ 204,539	\$ 796,247
Investments	1,019,477	846	1,020,323
Receivables:			
Accounts receivable	10,630	36,970	47,600
Delinquent property taxes	31,399	31,336	62,735
Due from other governmental units	713,715	-	713,715
Due from other funds	21,575	46,923	68,498
Inventories	28,450	2,596	31,046
Prepaid expense	78,252	-	78,252
TOTAL ASSETS	\$ 2,495,206	\$ 323,210	\$ 2,818,416
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 34,807	\$ 52,411	\$ 87,218
Accrued liabilities	466,201	-	466,201
Due to other funds	46,923	21,575	68,498
Deferred revenue	56,951	31,335	88,286
TOTAL LIABILITIES	604,882	105,321	710,203
FUND BALANCES:			
Reserved for:			
School service activities	-	35,578	35,578
Retirement of debt	-	91,893	91,893
Capital projects	-	90,418	90,418
Unreserved:			
Undesignated	1,890,324	-	1,890,324
TOTAL FUND BALANCES	1,890,324	217,889	2,108,213
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,495,206	\$ 323,210	\$ 2,818,416

The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

Total Fund Balances for Governmental Funds

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	7,604,441
Accumulated depreciation	<u>(3,997,010)</u>

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current	120,925
Bonds payable - long term	4,509,417
Employee benefits payable	<u>184,412</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	General Fund	Non-Major Governmental Funds	Total
REVENUES:			
Property taxes	\$ 491,256	\$ 432,583	\$ 923,839
Federal sources	1,179,868	144,718	1,324,586
State Aid	3,639,812	82,077	3,721,889
Local sources	33,362	137,575	170,937
Interest	42,417	3,982	46,399
TOTAL REVENUES	5,386,715	800,935	6,187,650
EXPENDITURES:			
Current:			
Instruction	3,231,474	-	3,231,474
Supporting services	1,910,166	-	1,910,166
Payments to other governmental agencies	9,618	-	9,618
Facilities acquisitions	1,835	-	1,835
Food service activities	-	227,251	227,251
Athletic activities	-	117,875	117,875
Bookstore activities	-	99	99
Debt Service:			
Principal	-	236,271	236,271
Interest	-	369,450	369,450
Capital project activities:			
Energy conservation project	-	374,475	374,475
Capital projects	-	30,403	30,403
TOTAL EXPENDITURES	5,153,093	1,355,824	6,508,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	233,622	(554,889)	(321,267)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	(173,423)	173,423	-
Proceeds from sale of bonds	-	184,652	184,652
Proceeds from loan	-	375,000	375,000
TOTAL OTHER FINANCING SOURCES (USES)	(173,423)	733,075	559,652
NET CHANGE IN FUND BALANCES	60,199	178,186	238,385
Fund Balance, July 1	1,830,125	39,703	1,869,828
FUND BALANCE, JUNE 30	\$ 1,890,324	\$ 217,889	\$ 2,108,213

The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	238,385
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	Depreciation expense	(242,063)	
	Capital outlays - facilities acquisition	-	
	Capital outlays - supporting services	388,877	
	Capital outlays - instruction	-	
		146,814	

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(559,652)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	236,272
--	---------

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Change in sick and vacation leave - (support services)	713	
	Change in sick and vacation leave- (instruction)	(27,538)	
		(26,825)	

Change in Net Assets of Governmental Activities	\$	34,994
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The accompanying notes are an integral part of these financial statements.

Baraga Area Schools
Fiduciary Funds
Statement of Fiduciary Net Assets

June 30, 2008

	Private-Purpose Trust	Student Activity Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 45,357	\$ 76,923
	<u> </u>	<u> </u>
TOTAL ASSETS	<u> 45,357 </u>	<u> 76,923 </u>
LIABILITIES:		
Due to groups, organizations and activities	<u> -</u>	<u> 76,923 </u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> -</u>	<u> 76,923 </u>
NET ASSETS:		
Reserved for scholarships	<u> 45,357 </u>	<u> -</u>
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u> \$ 45,357 </u>	<u> \$ 76,923 </u>

The accompanying notes are an integral part of these financial statements.

Baraga Area Schools

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

June 30, 2008

	<u>Private-Purpose Trust</u>
ADDITIONS:	
Private sources contributions	\$ 45,357
Interest	
TOTAL ADDITIONS	<u>45,357</u>
DEDUCTIONS:	
Scholarships awarded	<u>-</u>
TOTAL DEDUCTIONS	<u>-</u>
CHANGE IN NET ASSETS	45,357
Net Assets, July 1	<u>-</u>
NET ASSETS, JUNE 30	<u><u>\$ 45,357</u></u>

The accompanying notes are an integral part of these financial statements.

BARAGA AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Baraga Area Schools. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Baraga Area Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Baraga Area Schools are the Food Service, Athletics and Bookstore Funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Project Funds – The Capital Project Funds are used to account for financial resources of major capital expenditures, including equipment.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Agency Funds financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay,

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventories recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$56,951 in the General Fund and \$31,335 in the Debt Service Fund for grant funding that has been received but is unearned and delinquent property taxes receivable.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency.

When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes

Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$ 796,247	\$ 122,280	\$ 918,527
Investments	1,020,323	-	1,020,323
TOTALS	\$ 1,816,570	\$ 122,280	\$ 1,938,850

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$796,247 and the bank balance was \$1,187,449. The bank balance is categorized as follows.

Amount insured by the FDIC	\$ 200,000
Amount uncollateralized and uninsured	987,449
	<u>\$ 1,187,449</u>

Investments

As of June 30, 2008, the School had the following investments.

	Fair Value	Investment Maturities (In years)			
		Less than 1	1-5	6-10	More than 10
PRIMARY GOVERNMENT:					
Unrestricted Investments:					
Michigan Liquid Asset					
Fund-Mutual funds	\$ 1,020,324	\$ 1,020,324	\$ -	\$ -	\$ -
TOTAL INVESTMENTS	<u>\$ 1,020,324</u>	<u>\$ 1,020,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the School's investments. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the School to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

The School has no investment policy that would further limit its investment choices. Ratings are not required for the School's investment in U.S. Government Agencies or equity-type funds. The School's investments are in accordance with statutory authority.

Concentration of Credit Risk

The School places no limit on the amount the School may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of \$658,665 due from the State of Michigan for State Aid and \$55,050 due from other governmental units for the operation of special programs and grant projects.

NOTE E – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2008 as follows:

	<u>Governmental Activities</u>
Accrued wages	\$ 372,145
MESSA payable	94,056
Accrued fringes	-
Accrued interest	-
	<u>\$ 466,201</u>

NOTE F – LONG-TERM OBLIGATIONS:

A summary of long-term obligations, and related transactions for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
School Improvement Bond, Series 1998	\$ 44,365	\$ -	\$ -	\$ 44,365
1989 Refunding Bonds	97,447	-	38,284	59,163
1991 Issue – School Bond	32,987	-	32,987	-
State School Bond Loan Program	4,132,163	184,651	165,000	4,151,814
2008 SNB Energy Conservation Loan	-	375,000	-	375,000
Subtotal	<u>4,306,962</u>	<u>559,651</u>	<u>236,271</u>	<u>4,630,342</u>
Employee Benefits – Sick and Vacation Leave	157,587	27,538	713	184,412
TOTAL LONG-TERM DEBT	<u>\$ 4,464,549</u>	<u>\$ 587,189</u>	<u>\$ 236,984</u>	<u>\$ 4,814,754</u>

School Improvement Bonds – Series 1998
June 30, 2008

School Year	May 15		Total
	Interest	Principal	
2008-2009	\$ 1,576	\$ 6,024	\$ 7,600
2009-2010	1,289	6,311	7,600
2010-2011	989	6,611	7,600
2011-2012	4,636	18,164	22,800
2012-2013	345	7,255	7,600
Totals	<u>\$ 8,835</u>	<u>\$ 44,365</u>	<u>\$ 53,200</u>

NOTE F – LONG-TERM OBLIGATIONS (Continued):

The School Improvement Bonds, Series 1998 (\$108,245) dated November 24, 1998 mature annually on May 15, with interest at a rate of 4.76% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an annual appropriation from the State of Michigan.

1989 Refunding Bonds			
June 30, 2008			
School Year	May 1		Total
	Interest	Principal	
2008-2009	\$ 103,224	\$ 31,776	\$ 135,000
2009-2010	97,613	27,387	125,000
Totals	<u>\$ 200,837</u>	<u>\$ 59,163</u>	<u>\$ 260,000</u>

Zero Coupon Bonds (\$556,807) dated February 29, 1989 mature annually on May 1 and bear interest at a rate of 7.00% to 7.30% per annum. Interest is paid annually on May 1 of each year.

2008 SNB Energy Conservation Loan			
June 30, 2008			
School Year	November 5		Total
	Interest	Principal	
2008-2009	\$ 16,125	\$ 30,798	\$ 46,923
2009-2010	14,801	32,123	46,924
2010-2011	13,419	33,504	46,923
2011-2012	11,979	34,945	46,924
2012-2013	10,447	36,476	46,923
2013-2014	8,908	38,016	46,924
2014-2015	7,273	39,650	46,923
2015-2016	5,568	41,355	46,923
2016-2017	3,779	43,144	46,923
2017-2018	1,934	44,989	46,923
Totals	<u>\$ 94,233</u>	<u>\$ 375,000</u>	<u>\$ 469,233</u>

Energy Conservation Loan through Superior National Bank (\$375,000) dated November 20, 2008, payable annually on November 5th with interest at a rate of 4.30%.

State School Bond Loan Program			
June 30, 2008			
July 1, 2007 Balance	May 1		June 30, 2008
	Added Interest	Principal Payment	
<u>\$ 4,132,163</u>	<u>\$ 184,651</u>	<u>\$ (165,000)</u>	<u>\$ 4,151,814</u>

The District has borrowed from the State School Bond Loan Program to apply towards maturing principal and interest payments on their serial bonds. The balance owed as of June 30, 2008 is \$4,151,814, including accrued interest.

Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2008 (exclusive of employee benefits and State School Bond Loan Program) are as follows:

NOTE F – LONG-TERM OBLIGATIONS (Continued):

Fiscal	Principal	Interest	Total
2008-2009	\$ 37,800	\$ 104,800	\$ 142,600
2009-2010	33,698	98,902	132,600
2010-2011	6,611	989	7,600
2011-2012	18,164	4,636	22,800
2012-2013	7,255	345	7,600
Totals	<u>\$ 103,528</u>	<u>\$ 209,672</u>	<u>\$ 313,200</u>

NOTE G – SICK LEAVE AND VACATION LEAVE – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Teachers and administration personnel have the option of being paid for one-half of accumulated sick leave days, up to a maximum of 180 accumulated days, or they may request payment for the Universal Service Credit up to a maximum of \$32,500, upon retirement. Other non-teaching employees may accrue up to 90 sick leave days, and are paid for up to 70 sick leave days upon retirement. As of June 30, 2008, the liability for sick leave is \$169,999.

A vacation liability of \$14,413 for non-teaching employees is recorded in the statement of net assets.

NOTE H – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance at 7/01/07	Additions	Disposals	Balance at 6/30/08
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 700	\$ -	\$ -	\$ 700
Construction-in-progress	-	-	-	-
Total Capital Assets not being Depreciated	<u>700</u>	<u>-</u>	<u>-</u>	<u>700</u>
Capital assets being depreciated:				
Site improvements	1,226,395	5,881	-	1,232,276
Buildings	4,994,615	375,000	-	5,369,615
Equipment	632,871	7,995	-	640,866
Vehicles and buses	409,785	-	48,801	360,984
Total Capital Assets being Depreciated	<u>7,263,666</u>	<u>388,876</u>	<u>48,801</u>	<u>7,603,741</u>
Less accumulated depreciation:				
Site improvements	(470,713)	(44,515)	-	(515,228)
Buildings	(2,557,276)	(107,392)	-	(2,664,668)
Equipment	(450,216)	(69,407)	-	(519,623)
Vehicles and buses	(325,544)	(20,748)	(48,801)	(297,491)
Total Accumulated Depreciation	<u>(3,803,749)</u>	<u>(242,062)</u>	<u>-</u>	<u>(3,997,010)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,460,617</u>	<u>\$ 146,814</u>	<u>\$ -</u>	<u>\$3,607,431</u>

NOTE H – CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	<u>\$ 242,062</u>
Total Governmental Activities Depreciation Expense	<u>\$ 242,062</u>

NOTE I – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Capital Project Funds – The resources of the Capital Project Funds are to be used for the purchase of major capital additions, including equipment.

NOTE J – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2007 - August 2008.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE K – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

Baraga Area Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

NOTE K – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS) (Continued):

		DUE FROM OTHER FUNDS		
		General Fund	Capital Project Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	General Fund	\$ -	\$ 21,575	\$ 21,575
	Debt Service Fund	46,923	-	46,923
	Total Due From Other Funds	\$ 46,923	\$ 21,575	\$ 68,498

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

		Transfer Out To Other Funds	
		General Fund	Total Transfers In
Transfer In From Other Funds	Athletic Fund	\$ 126,500	\$ 126,500
	Lunch Fund	46,923	46,923
	Total Transfers Out	\$ 173,423	\$ 173,423

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE L – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$10,148 during fiscal 2008 in revenues and expenditures for USDA commodities.

NOTE M – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2007 totaled \$57,803,137 (\$28,611,177 designated as Homestead and \$29,191,960 designated as Non-Homestead). The total tax levied consists of 18 mills for the General Fund and 7.9500 mills for debt retirement.

NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, and vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$574,885 which consisted of \$488,989 from the School District and \$85,896 from employees electing the MIP option. These represent approximately 17% and 3% of covered payroll, respectively. The School District's contributions to MPERS for 2007 was \$483,031 and for 2006 was \$472,141.

Payroll paid to employees covered by the System for the year ended June 30, 2008 was approximately \$2,856,605. The School District's total payroll was approximately \$2,986,241.

Other Post-Employment Benefits

In addition to pension benefits, MPERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPERS is factored into the pension contribution rate.

NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

NOTE O – CONTINGENT LIABILITIES:Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE P – ECONOMIC DEPENDENCY:

The School District received approximately 80 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Baraga. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

REQUIRED SUPPLEMENTAL INFORMATION

Baraga Area Schools

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Positive (Negative)	
				Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 562,319	\$ 552,302	\$ 567,035	\$ (10,017)	\$ 14,733
State sources	3,471,374	3,633,298	3,639,812	161,924	6,514
Federal sources	619,901	1,185,929	1,179,868	566,028	(6,061)
TOTAL REVENUES	4,653,594	5,371,529	5,386,715	717,935	15,186
EXPENDITURES:					
Instruction:					
Basic Programs	2,656,579	2,658,397	2,637,540	(1,818)	20,857
Added Needs	765,684	587,720	589,711	177,964	(1,991)
Adult/Continuing education	-	4,224	4,223	(4,224)	1
Total Instruction	3,422,263	3,250,341	3,231,474	171,922	18,867
Supporting Services:					
Pupil services	77,330	255,202	245,002	(177,872)	10,200
Instructional staff	124,415	240,318	239,842	(115,903)	476
Administration	654,009	646,543	635,186	7,466	11,357
Business services	11,039	12,953	12,662	(1,914)	291
Operation and maintenance	796,095	821,271	777,474	(25,176)	43,797
Total Supporting Services	1,662,888	1,976,287	1,910,166	(313,399)	66,121
Payments to Other Governmental Agencies					
Other	-	14,722	9,618	(14,722)	5,104
Total Payments to Other Government Agencies	-	14,722	9,618	(14,722)	5,104
Facilities Acquisition					
Capital Outlay	57,000	1,835	1,835	55,165	-
Total Facilities Acquisition	57,000	1,835	1,835	55,165	-
TOTAL EXPENDITURES	5,142,151	5,243,185	5,153,093	(101,034)	90,092
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(488,557)	128,344	233,622	616,901	105,278
OTHER FINANCING SOURCES					
Transfers out	(90,690)	(188,774)	(173,423)	(98,084)	15,351
NET CHANGE IN FUND BALANCE	(579,247)	(60,430)	60,199	518,817	120,629
Fund Balance, July 1	1,830,125	1,830,125	1,830,125	-	-
FUND BALANCE, JUNE 30	\$ 1,250,878	\$ 1,769,695	\$ 1,890,324	\$ 518,817	\$ 120,629

OTHER SUPPLEMENTAL INFORMATION

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Taxes and Penalties:			
Property tax levy	\$ 478,681	\$ 491,256	\$ 12,575
Other Local Sources:			
Rental of school facilities	53	53	-
Donations	1,178	1,178	-
Other local revenue	30,238	32,131	1,893
Income from investments	42,152	42,417	265
TOTAL LOCAL SOURCES	552,302	567,035	14,733
State Sources:			
Unrestricted:			
Proposal A Obligation	3,196,167	3,197,503	1,336
Discretionary Payment	-	-	-
Restricted:			
At Risk	120,904	120,902	(2)
Alternative Education	140,802	140,803	1
Adult Education	10,417	10,417	-
Special Education - Head lee	134,926	134,926	-
Bilingual and Compensatory Education	7,422	7,485	63
Non-Durant Settlement	10,824	10,825	1
MI Profile Healthy Youth	5,114	10,229	5,115
Middle School Math / Science	6,722	6,722	-
TOTAL STATE SOURCES	3,633,298	3,639,812	6,514
Federal Sources:			
Restricted:			
Title VII - Indian Education	61,732	55,670	(6,062)
Public Law 81-874	910,027	910,027	-
Schools & Roads	11,760	11,761	1
REAP	6,874	6,874	-
Restricted - received through the state:			
E.I.C.I.A. Title I	135,124	135,124	-
E.I.C.I.A. Title V	2,032	2,032	-
Handicapped Preschool	-	-	-
E.I.C.I.A. Title II, Part A	37,213	37,213	-
E.I.C.I.A. Title II, Part D	1,270	1,270	-
Tech Literacy Challenge	-	-	-
Freedom to Learn	-	-	-
E.I.C.I.A. Title III, Part A	19,897	19,897	-
Restricted - received through the CCISD:	-	-	-
TOTAL FEDERAL SOURCES	1,185,929	1,179,868	(6,061)
TOTAL REVENUES	5,371,529	5,386,715	15,186

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Instruction:			
Elementary:			
Salaries	\$ 809,522	\$ 807,631	\$ 1,891
Fringe benefits	454,681	449,563	5,118
Purchased services	19,235	19,186	49
Supplies and materials	24,502	21,548	2,954
Capital outlay	72	71	1
Other expenses	1,110	1,110	-
TOTAL ELEMENTARY	<u>1,309,122</u>	<u>1,299,109</u>	<u>10,013</u>
Secondary:			
Salaries	818,137	814,775	3,362
Fringe benefits	438,012	437,224	788
Purchased services	33,940	33,434	506
Supplies and materials	51,298	45,378	5,920
Capital outlay	6,028	6,016	12
Other expenses	1,860	1,604	256
TOTAL SECONDARY	<u>1,349,275</u>	<u>1,338,431</u>	<u>10,844</u>
Summer School:			
Salaries	4,370	4,370	-
Fringe benefits	1,068	1,067	1
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SUMMER SCHOOL	<u>5,438</u>	<u>5,437</u>	<u>1</u>
Special Education:			
Salaries	232,424	234,449	(2,025)
Fringe benefits	136,791	136,777	14
Purchased services	22,004	22,004	-
Supplies and materials	1,863	1,860	3
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SPECIAL EDUCATION	<u>393,082</u>	<u>395,090</u>	<u>(2,008)</u>

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Compensatory Education:			
Salaries	\$ 76,451	\$ 76,450	\$ 1
Fringe benefits	77,770	77,759	11
Purchased services	23,822	23,820	2
Supplies and materials	10,907	10,905	2
Capital outlay	-	-	-
Other expenses	250	250	-
TOTAL COMPENSATORY EDUCATION	189,200	189,184	16
Alternative Education			
Salaries	2,910	2,910	-
Fringe benefits	1,314	1,313	1
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL ALTERNATIVE EDUCATION	4,224	4,223	1
TOTAL INSTRUCTION	3,250,341	3,231,474	18,867
Supporting Services:			
Pupil Services:			
Truancy/Absenteeism			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	4,000	2,634	1,366
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL TRUANCY/ABSENTEEISM	4,000	2,634	1,366
Guidance:			
Salaries	84,447	83,345	1,102
Fringe benefits	45,876	45,382	494
Purchased services	656	655	1
Supplies and materials	925	615	310
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL GUIDANCE	131,904	129,997	1,907

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Health:			
Salaries	\$ 19,672	\$ 19,671	\$ 1
Fringe benefits	21,762	21,517	245
Purchased services	1,496	1,199	297
Supplies and materials	2,000	1,644	356
Capital outlay	398	398	-
Other expenses	-	-	-
TOTAL HEALTH	45,328	44,429	899
Home School Coordinator/Social Work:			
Salaries	31,132	25,070	6,062
Fringe benefits	26,680	26,679	1
Purchased services	1,160	1,202	(42)
Supplies and materials	20	19	1
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL HOME SCHOOL COORDINATOR/SOCIAL WORK	58,992	52,970	6,022
Other Pupil Service:			
Salaries	12,164	12,164	-
Fringe benefits	2,814	2,808	6
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL OTHER PUPIL SERVICES	14,978	14,972	6
TOTAL PUPIL SERVICES	255,202	245,002	10,200
Instructional Staff:			
Improvement of Instruction:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL IMPROVEMENT OF INSTRUCTION	-	-	-

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Library:			
Salaries	\$ 70,320	\$ 70,318	\$ 2
Fringe benefits	41,716	41,714	2
Purchased services	4,255	4,254	1
Supplies and materials	6,539	6,425	114
Capital outlay	-	-	-
Other expenses	4	3	1
TOTAL LIBRARY	122,834	122,714	120
Technology Assisted Instruction			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL TECHNOLOGY ASSISTED INSTRUCTION	-	-	-
Supervision and Direction of Instructional Staff			
Salaries	71,120	71,008	112
Fringe benefits	36,482	36,442	40
Purchased services	8,974	8,773	201
Supplies and materials	90	89	1
Capital outlay	-	-	-
Other expenses	818	816	2
TOTAL SUPERVISION AND DIRECTION OF INSTRUCTIONAL STAFF	117,484	117,128	356
TOTAL INSTRUCTIONAL STAFF	240,318	239,842	476
Administration:			
Board of Education:			
Salaries	-	-	-
Fringe benefits	71	70	1
Purchased services	43,505	38,543	4,962
Supplies and materials	2,900	2,854	46
Capital outlay	-	-	-
Other expenses	4,288	4,274	14
TOTAL BOARD OF EDUCATION	50,764	45,741	5,023

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Executive Administration:			
Salaries	\$ 175,688	\$ 173,722	\$ 1,966
Fringe benefits	84,437	84,155	282
Purchased services	14,276	10,454	3,822
Supplies and materials	5,243	4,400	843
Capital outlay	150	150	-
Other expenses	2,783	2,349	434
TOTAL EXECUTIVE ADMINISTRATION	282,577	275,230	7,347
Offices of Principals:			
Salaries	204,493	205,517	(1,024)
Fringe benefits	102,095	102,087	8
Purchased services	390	390	-
Supplies and materials	2,166	2,164	2
Capital outlay	153	153	-
Other expenses	3,905	3,904	1
TOTAL OFFICE OF PRINCIPALS	313,202	314,215	(1,013)
TOTAL ADMINISTRATION	646,543	635,186	11,357
Business Services:			
Fiscal Services:			
Salaries	-	-	-
Fringe benefits	10,232	9,941	291
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL FISCAL SERVICES	10,232	9,941	291
Other Business Services:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	2,721	2,721	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL OTHER BUSINESS SERVICES	2,721	2,721	-
TOTAL BUSINESS SERVICES	12,953	12,662	291

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Operation and Maintenance:			
Operating Building Maintenance			
Salaries	\$ 132,937	\$ 130,634	\$ 2,303
Fringe benefits	103,725	102,525	1,200
Purchased services	118,200	104,411	13,789
Supplies and materials	175,879	170,324	5,555
Capital outlay	6,843	6,442	401
Other expenses	75	75	-
TOTAL OPERATING BUILDING MAINTENANCE	537,659	514,411	23,248
Transportation:			
Salaries	73,866	72,728	1,138
Fringe benefits	72,172	70,665	1,507
Purchased services	14,643	12,494	2,149
Supplies and materials	71,999	57,284	14,715
Capital outlay	2,140	2,140	-
Other expenses	4,574	4,573	1
TOTAL TRANSPORTATION	239,394	219,884	19,510
Staff/Personnel Services			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	2,342	1,342	1,000
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL STAFF/PERSONNEL SERVICES	2,342	1,342	1,000
Central Services			
Salaries	12,946	12,945	1
Fringe benefits	3,183	3,181	2
Purchased services	2,632	2,602	30
Supplies and materials	11,000	10,994	6
Capital outlay	-	-	-
Other expenses	12,115	12,115	-
TOTAL CENTRAL SERVICES	41,876	41,837	39
TOTAL OPERATIONS AND MAINTENANCE	821,271	777,474	43,797
TOTAL SUPPORT SERVICES	1,976,287	1,910,166	66,121

Baraga Area Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Payments to Other Governmental Agencies			
L'Anse Area Schools - Tuition	\$ -	\$ -	\$ -
Community Schools	-	-	-
Michigan Technology University - Tuition	-	-	-
Copper Country Intermediate School District	-	-	-
Arvon Township Schools - Transportation	-	-	-
Other Expenses	14,722	9,618	5,104
TOTAL PAYMENTS TO OTHER GOVERNMENTAL AGENCIES	14,722	9,618	5,104
Facilities Acquisition			
Capital Outlay	1,835	1,835	-
TOTAL FACILITIES ACQUISITION	1,835	1,835	-
TOTAL EXPENDITURES	5,243,185	5,153,093	90,092
EXCESS REVENUES (EXPENDITURES)	128,344	233,622	105,278
Other Financing Sources (Uses):			
Transfers Out:			
Lunch Fund	(5,350)	-	5,350
Athletic Fund	(126,500)	(126,500)	-
Bookstore Fund	-	-	-
Debt Service Fund	(56,924)	(46,923)	10,001
TOTAL OTHER FINANCING USES	(188,774)	(173,423)	15,351
NET CHANGE IN FUND BALANCE	(60,430)	60,199	120,629
Fund Balance, July 1	1,830,125	1,830,125	-
FUND BALANCE, JUNE 30	\$ 1,769,695	\$ 1,890,324	\$ 120,629

Baraga Area Schools
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2008

	Special Revenue	Debt Service	Capital Project	Total
ASSETS				
Cash and cash equivalents	\$ 20,874	\$ 44,123	\$ 139,542	\$ 204,539
Investments	-	846	-	846
Accounts receivable	36,970	-	-	36,970
Delinquent Taxes Receivable	-	31,336	-	31,336
Due from other funds	-	46,923	-	46,923
Inventory	2,596	-	-	2,596
TOTAL ASSETS	\$ 60,440	\$ 123,228	\$ 139,542	\$ 323,210
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 24,862	\$ -	\$ 27,549	\$ 52,411
Due to other funds	-	-	21,575	21,575
Deferred revenue	-	31,335	-	31,335
TOTAL LIABILITIES	24,862	31,335	49,124	105,321
FUND BALANCES:				
Reserved for:				
School service activities	35,578	-	-	35,578
Retirement of debt	-	91,893	-	91,893
Capital projects	-	-	90,418	90,418
Unreserved	-	-	-	-
TOTAL FUND BALANCES	35,578	91,893	90,418	217,889
TOTAL LIABILITIES AND FUND BALANCES	\$ 60,440	\$ 123,228	\$ 139,542	\$ 323,210

Baraga Area Schools

Non-Major Governmental Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	Special Revenue	Debt Service	Capital Project	Total
REVENUES:				
Property taxes	\$ -	\$ 432,583	\$ -	\$ 432,583
School lunch activities	120,235	-	-	120,235
Athletic activities	17,255	-	-	17,255
Bookstore activities	85	-	-	85
Interest	-	1,718	2,264	3,982
State sources	-	-	82,077	82,077
Federal sources	108,763	-	35,955	144,718
TOTAL REVENUES	246,338	434,301	120,296	800,935
EXPENDITURES:				
School lunch activities	227,251	-	-	227,251
Athletic activities	117,875	-	-	117,875
Bookstore activities	99	-	-	99
Debt service activities:				
Principal	-	236,271	-	236,271
Interest and fees	-	369,450	-	369,450
Capital project activities:				
Energy conservation project	-	-	374,475	374,475
Capital projects	-	-	30,403	30,403
TOTAL EXPENDITURES	345,225	605,721	404,878	1,355,824
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(98,887)	(171,420)	(284,582)	(554,889)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of bond	-	184,652	-	184,652
Transfers in	126,500	46,923	-	173,423
Proceeds from loan	-	-	375,000	375,000
TOTAL OTHER FINANCING SOURCES (USES)	126,500	231,575	375,000	733,075
NET CHANGE IN FUND BALANCE	27,613	60,155	90,418	178,186
Fund Balance, July 1	7,965	31,738	-	39,703
FUND BALANCE, JUNE 30	\$ 35,578	\$ 91,893	\$ 90,418	\$ 217,889

Baraga Area Schools
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2008

	School Lunch Fund	Athletic Fund	Bookstore Fund	Total
ASSETS				
Cash and cash equivalents	\$ 21,115	\$ (2,289)	\$ 2,048	\$ 20,874
Accounts receivable	-	36,970	-	36,970
Inventory	2,318	-	278	2,596
TOTAL ASSETS	<u>\$ 23,433</u>	<u>\$ 34,681</u>	<u>\$ 2,326</u>	<u>\$ 60,440</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 24,862	\$ -	\$ 24,862
TOTAL LIABILITIES	<u>-</u>	<u>24,862</u>	<u>-</u>	<u>24,862</u>
FUND BALANCES:				
Reserved for school service activities	23,433	9,819	2,326	35,578
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,433</u>	<u>\$ 34,681</u>	<u>\$ 2,326</u>	<u>\$ 60,440</u>

Baraga Area Schools

Non-Major Special Revenue Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	School Lunch Fund	Athletic Fund	Bookstore Fund	Total
REVENUES:				
Athletic activities	\$ -	\$ 17,255	\$ -	\$ 17,255
School lunch activities	120,235	-	-	120,235
Bookstore activities	-	-	85	85
State aid	-	-	-	-
Federal sources	108,763	-	-	108,763
TOTAL REVENUES	<u>228,998</u>	<u>17,255</u>	<u>85</u>	<u>246,338</u>
EXPENDITURES:				
School lunch activities	227,251	-	-	227,251
Athletic activities	-	117,875	-	117,875
Bookstore activities	-	-	99	99
TOTAL EXPENDITURES	<u>227,251</u>	<u>117,875</u>	<u>99</u>	<u>345,225</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,747	(100,620)	(14)	(98,887)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	126,500	-	126,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>126,500</u>	<u>-</u>	<u>126,500</u>
NET CHANGE IN FUND BALANCE	1,747	25,880	(14)	27,613
Fund Balance, July 1	21,686	(16,061)	2,340	7,965
FUND BALANCE, JUNE 30	<u>\$ 23,433</u>	<u>\$ 9,819</u>	<u>\$ 2,326</u>	<u>\$ 35,578</u>

Baraga Area Schools

School Lunch Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
School lunch activities	\$ 121,336	\$ 120,235	\$ (1,101)
State aid	-	-	-
Federal sources	110,260	108,763	(1,497)
TOTAL REVENUES	231,596	228,998	(2,598)
EXPENDITURES:			
School lunch activities:			
Salaries	66,295	64,715	1,580
Fringe benefits	57,468	57,310	158
Purchased services	1,811	1,810	1
Supplies and materials	102,679	102,831	(152)
Capital outlay	-	-	-
Other expenses	586	585	1
TOTAL EXPENDITURES	228,839	227,251	1,588
EXCESS REVENUES OVER (UNDER) EXPENDITURES	2,757	1,747	(1,010)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	-	-	-
NET CHANGE IN FUND BALANCE	2,757	1,747	(1,010)
Fund Balance, July 1	21,686	21,686	-
FUND BALANCE, JUNE 30	\$ 24,443	\$ 23,433	\$ (1,010)

Baraga Area Schools

Athletic Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Athletic activities	\$ 16,277	\$ 17,255	\$ 978
TOTAL REVENUES	<u>16,277</u>	<u>17,255</u>	<u>978</u>
EXPENDITURES:			
Athletic activities:			
Salaries	50,841	50,839	2
Fringe benefits	8,664	8,663	1
Purchased services	54,236	43,071	11,165
Supplies and materials	14,681	11,536	3,145
Capital outlay	1,400	1,400	-
Other expenses	4,566	2,366	2,200
TOTAL EXPENDITURES	<u>134,388</u>	<u>117,875</u>	<u>16,513</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(118,111)	(100,620)	17,491
OTHER FINANCING SOURCES (USES):			
Transfers in	126,500	126,500	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>126,500</u>	<u>126,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	8,389	25,880	17,491
Fund Balance, July 1	(16,061)	(16,061)	-
FUND BALANCE, JUNE 30	<u>\$ (7,672)</u>	<u>\$ 9,819</u>	<u>\$ 17,491</u>

Baraga Area Schools

Bookstore Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Bookstore revenue	\$ 85	\$ 85	\$ -
TOTAL REVENUES	<u>85</u>	<u>85</u>	<u>-</u>
EXPENDITURES:			
Bookstore activities:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	73	99	(26)
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL EXPENDITURES	<u>73</u>	<u>99</u>	<u>(26)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12	(14)	(26)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	12	(14)	(26)
Fund Balance, July 1	<u>2,340</u>	<u>2,340</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 2,352</u></u>	<u><u>\$ 2,326</u></u>	<u><u>\$ (26)</u></u>

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes and penalties	\$ 412,363	\$ 432,583	\$ 20,220
State aid	-	-	-
Interest	2,085	1,718	(367)
TOTAL REVENUES	<u>414,448</u>	<u>434,301</u>	<u>19,853</u>
EXPENDITURES:			
Principal payments	226,895	236,271	(9,376)
Interest and agent fees	194,176	369,450	(175,274)
TOTAL EXPENDITURES	<u>421,071</u>	<u>605,721</u>	<u>(184,650)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,623)	(171,420)	(164,797)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of bond	-	184,652	184,652
Operating transfers in	-	46,923	46,923
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>231,575</u>	<u>231,575</u>
NET CHANGE IN FUND BALANCE	(6,623)	60,155	66,778
Fund Balance, July 1	<u>31,738</u>	<u>31,738</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 25,115</u>	<u>\$ 91,893</u>	<u>\$ 66,778</u>

Baraga Area Schools
Non-Major Capital Project Funds

Combining Balance Sheet

June 30, 2008

	Energy Conservation Fund	Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 21,511	\$ 118,031	\$ 139,542
Accounts receivable	-	-	-
TOTAL ASSETS	<u>\$ 21,511</u>	<u>\$ 118,031</u>	<u>\$ 139,542</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 18,722	\$ 8,827	\$ 27,549
Due to other funds	-	21,575	21,575
TOTAL LIABILITIES	<u>18,722</u>	<u>30,402</u>	<u>49,124</u>
FUND BALANCES:			
Reserved for capital projects	<u>2,789</u>	<u>87,629</u>	<u>90,418</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,511</u>	<u>\$ 118,031</u>	<u>\$ 139,542</u>

Baraga Area Schools

Non-Major Capital Project Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	Energy Conservation Fund	Capital Projects Fund	Total
REVENUES:			
Local Sources:			
Other local revenue	\$ -	\$ 82,077	\$ 82,077
Federal Sources:			
Public Law 81-874	-	35,955	35,955
Interest	2,264	-	2,264
TOTAL REVENUES	2,264	118,032	120,296
EXPENDITURES:			
Energy Conservation Project	374,475	-	374,475
Capital Projects	-	30,403	30,403
TOTAL EXPENDITURES	374,475	30,403	404,878
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(372,211)	87,629	(284,582)
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	375,000	-	375,000
TOTAL OTHER FINANCING SOURCES (USES)	375,000	-	375,000
NET CHANGE IN FUND BALANCE	2,789	87,629	90,418
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	\$ 2,789	\$ 87,629	\$ 90,418

Baraga Area Schools

Energy Conservation Project Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Interest	\$ -	\$ 2,264	\$ 2,264
TOTAL REVENUES	<u>-</u>	<u>2,264</u>	<u>2,264</u>
EXPENDITURES:			
Energy Conservation activities:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	374,475	(374,475)
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>374,475</u>	<u>(374,475)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(372,211)</u>	<u>(372,211)</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	-	375,000	375,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>375,000</u>	<u>375,000</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>2,789</u>	<u>2,789</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 2,789</u></u>	<u><u>\$ 2,789</u></u>

Baraga Area Schools

Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local Sources:			
Other local revenue	\$ -	\$ 82,077	\$ 82,077
Federal Sources:			
Public Law 81-874	-	35,955	35,955
TOTAL REVENUES	<u>-</u>	<u>118,032</u>	<u>118,032</u>
EXPENDITURES:			
Capital projects activities:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	30,403	(30,403)
Other expenses	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>30,403</u>	<u>(30,403)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	87,629	87,629
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	87,629	87,629
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 87,629</u></u>	<u><u>\$ 87,629</u></u>

Baraga Area Schools

Student Activity Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2008

	Balance July 1	Additions	Deductions	Balance June 30
ASSETS:				
Cash and cash equivalents	\$ 75,725	\$ 92,626	\$ 91,428	\$ 76,923
TOTAL ASSETS	<u>\$ 75,725</u>	<u>\$ 92,626</u>	<u>\$ 91,428</u>	<u>\$ 76,923</u>
LIABILITIES:				
Due to others	\$ 75,725	\$ 92,626	\$ 91,428	\$ 76,923
TOTAL LIABILITIES	<u>\$ 75,725</u>	<u>\$ 92,626</u>	<u>\$ 91,428</u>	<u>\$ 76,923</u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, Michigan 49908

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baraga Area Schools as of and for the year ended June 30, 2008, which collectively comprise the Baraga Area School's basic financial statements and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Baraga Area School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Baraga Area School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Baraga Area School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Baraga Area School's financial statements that is more than inconsequential will not be prevented or detected by the Baraga Area School's internal control. We considered the deficiencies described in the report to management to be significant deficiencies in internal control over financial reporting listed as item 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Baraga Area School's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did

Board of Education
Baraga Area Schools
Baraga, Michigan 49908

not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Baraga Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, and Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 29, 2008



ANDERSON, TACKMAN & COMPANY, P.L.C.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, MI 49908

Compliance

We have audited the compliance of Baraga Area School's with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Baraga Area School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Baraga Area School's management. Our responsibility is to express an opinion on Baraga Area School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Baraga Area School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Baraga Area School's compliance with those requirements.

In our opinion, Baraga Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Baraga Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Baraga Area School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Baraga Area School's internal control over compliance.

Board of Education
Baraga Area Schools
Baraga, MI 49908

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Baraga Area School's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Baraga Area School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Education, others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 29, 2008

BARAGA AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2007	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2008
U.S. DEPARTMENT OF AGRICULTURE:							
Direct Award:							
Bonus Commodities	07020	10.550	\$ 159	\$ 159	\$ -	\$ 63	\$ 63
Entitlement Commodities	07020	10.550	7,527	7,527	-	10,086	-
Sub-Total			<u>7,686</u>	<u>7,686</u>	<u>-</u>	<u>10,148</u>	<u>63</u>
Passed Through the Michigan Department of Education:							
National School Breakfast Program	081970	10.553	16,925	14,233	-	16,925	-
Sub-Total			<u>16,925</u>	<u>14,233</u>	<u>-</u>	<u>16,925</u>	<u>-</u>
Passed Through the Michigan Department of Education:							
Section 4 - All Lunches	081950	10.555	11,188	11,969	-	11,188	-
Section 11 - Free & Reduced Lunches	081960	10.555	69,188	65,409	-	69,188	-
Snacks	081980	10.555	1,314	-	-	1,314	-
Sub-Total			<u>81,690</u>	<u>77,378</u>	<u>-</u>	<u>81,690</u>	<u>-</u>
Direct Award:							
Schools & Road Grant	N/A	10.665	11,761	12,283	-	11,761	-
Sub-Total			<u>11,761</u>	<u>12,283</u>	<u>-</u>	<u>11,761</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>118,062</u>	<u>111,580</u>	<u>-</u>	<u>120,524</u>	<u>63</u>
U.S. DEPARTMENT OF EDUCATION:							
Passed Through Michigan Department of Education:							
Title I, Part A	071530-0607	84.010	140,323	140,323	85,823	-	-
Title I, Part A	081530-0708	84.010	135,124	-	-	135,124	20,124
Sub-Total			<u>275,447</u>	<u>140,323</u>	<u>85,823</u>	<u>135,124</u>	<u>20,124</u>
Passed Through Michigan Department of Education:							
Handicapped Preschool & School Prog	06440-SPSR	84.027	3,760	3,760	-	-	-
Sub-Total			<u>3,760</u>	<u>3,760</u>	<u>-</u>	<u>-</u>	<u>-</u>
Direct Award:							
P.L. 81-874 Title VIII of ESEA Impact Aid	32-MI-2005-1013	84.041	581,987	-	-	71,678	-
P.L. 81-874 Title VIII of ESEA Impact Aid	32-MI-2007-1013	84.041	426,947	390,992	-	35,955	-
P.L. 81-874 Title VIII of ESEA Impact Aid	32-MI-2004-1013	84.041	99,609	99,609	-	-	-
P.L. 81-874 Title VIII of ESEA Impact Aid	32-MI-2008-1013	84.041	838,349	-	-	838,349	-
Sub-Total			<u>1,946,892</u>	<u>490,601</u>	<u>-</u>	<u>945,982</u>	<u>-</u>
Direct Award:							
P.L. 107-110 ESEA	S060A060439	84.060A	52,806	36,168	(16,638)	16,638	-
P.L. 107-110 ESEA	S060A070439	84.060A	55,215	-	-	39,032	(11,768)
Sub-Total			<u>108,021</u>	<u>36,168</u>	<u>(16,638)</u>	<u>55,670</u>	<u>(11,768)</u>

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2007	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2008
Passed Through the Michigan Department of Education:							
Title V, Part A - LEA Allocation	070250-0607	84.298	\$ 1,942	\$ 1,942	\$ -	\$ -	\$ -
Title V, Part A - LEA Allocation	080250-0708	84.298	2,032	-	-	2,032	2,032
Sub-Total			<u>3,974</u>	<u>1,942</u>	<u>-</u>	<u>2,032</u>	<u>2,032</u>
Passed Through the Michigan Department of Education:							
Title II Part D	074290-0607	84.318	1,440	1,440	-	-	-
Title II Part D	084290-0708	84.318	1,270	-	-	1,270	-
Sub-Total			<u>2,710</u>	<u>1,440</u>	<u>-</u>	<u>1,270</u>	<u>-</u>
Direct Award:							
REAP Small Rural School Achievement Program	S358A065639	84.358	1,477	1,477	-	-	-
REAP Small Rural School Achievement Program	S358A075639	84.358	6,874	-	-	6,874	-
Sub-Total			<u>8,351</u>	<u>1,477</u>	<u>-</u>	<u>6,874</u>	<u>-</u>
Passed Through the Michigan Department of Education:							
Title III - Limited English	060580-0607	84.365	19	19	19	-	19
Title III - Limited English	070580-0607	84.365	17,633	17,633	7,633	-	7,633
Title III - Limited English	080580-0708	84.365	19,897	-	-	19,897	13,000
Sub-Total			<u>37,549</u>	<u>17,652</u>	<u>7,652</u>	<u>19,897</u>	<u>20,652</u>
Passed Through the Michigan Department of Education:							
Title II, Part A	070520-0607	84.367	46,562	46,562	11,062	-	11,062
Title II, Part A	080520-0708	84.367	46,582	-	-	37,213	25,000
Sub-Total			<u>93,144</u>	<u>46,562</u>	<u>11,062</u>	<u>37,213</u>	<u>36,062</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,479,848</u>	<u>739,925</u>	<u>87,899</u>	<u>1,204,062</u>	<u>1,262,463</u>
GRAND TOTAL			<u>\$ 2,597,909</u>	<u>\$ 851,506</u>	<u>\$ 87,899</u>	<u>\$ 1,324,586</u>	<u>\$ 1,382,924</u>
							<u>\$ 29,561</u>

BARAGA AREA SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2008

NOTE A – OVERSIGHT AGENCY:

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal awards.

NOTE B – BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C – FINAL COST REPORT - FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Current payments per R7120		\$ 357,422
Add – payments not on R7120:		
Direct programs	\$ 1,020,287	
Pass through CCISD	-	
Bonus and entitlement commodities	10,148	1,030,435
Minus – state grants on R7120:		
School Breakfast – non-program	-	-
Adjustments:		
Rounding		
Accrued (deferred) revenue – BOY	(104,537)	
Accrued (deferred) revenue – EOY	41,266	(63,271)
Per the Schedule of Expenditures of Federal Awards		\$ 1,324,586

BARAGA AREA SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Baraga Area Schools.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Baraga Area Schools disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Baraga Area Schools expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Baraga Area Schools were disclosed during the audit.
7. The programs tested as major programs were:

P.L. 81-874 Title VIII of ESEA Impact Aid	84.041
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8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Baraga Area Schools was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

08-01 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

Cause of Condition: The staff of the district does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Wilson, Business Manager
- Corrective Action Planned:
 - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the audit report in the current fiscal year.
- Anticipated Completion Date:
 - June 30, 2008

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

BARAGA AREA SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year June 30, 2007

NONE



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

Baraga Area Schools
Report to Management Letter
For the Year Ended June 30, 2008

Board of Education
Baraga Area Schools
210 Lyons Street
Baraga, MI 49908

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baraga Area Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Baraga Area School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

08-01 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES.

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

Board of Education
Baraga Area Schools
Baraga, MI 49908

Cause of Condition: The staff of the district does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Wilson, Business Manager
- Corrective Action Planned:
 - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time needed to prepare the audit report in the current fiscal year.
- Anticipated Completion Date:
 - June 30, 2009

This communication is intended solely for the information and use of management, Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Baraga Area School's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 29, 2008